

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

EXPERIMENTAL "RIDE-ALONG"
CLASSIFICATION CHANGE FOR PERIODICALS, 1999

Docket No. MC2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS TAUFIQUE TO INTERROGATORIES OF
COX TARGET MEDIA, INC. AND COX CONSUMER SAMPLING
(CC/USPS-T1-8-20)

The United States Postal Service hereby provides the responses of witness Taufique to the following interrogatories of Cox Target Media, Inc. and Cox Consumer Sampling: CC/USPS-T1-8-20, filed on November 8, 1999.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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November 18, 1999

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO
SECOND INTERROGATORIES OF COX TARGET MEDIA INC. AND COX
CONSUMER SAMPLING

CC/USPS-T1-8.

In reference to your testimony at page 4 (lines 22-23) and page 5 (line 1):

- a. Please specify each way in which the physical requirements for the Ride-Along classification are more stringent than for Standard (A) attachments or enclosures; and
- b. Please explain the rationale for each such different requirement.

RESPONSE

- a. Standard Mail (A) attachments or enclosures have no physical requirements other than that the total weight of all enclosed Standard Mail (A) matter must be less than 16 ounces (DMM C200.1.3a). Furthermore, a Standard Mail (A) piece may be securely attached on the outside of an unwrapped publication along the bound edge if it does not exceed any dimension of the cover of the publication and comes within 3/4 inch of the edge opposite the fold or binding. The title of the publication cannot be obscured due to the inclusion of a Standard (A) piece. Ride-Along attachments or enclosures will be limited to one piece not exceeding the weight of the host copy and weighing a maximum of 3.3 ounces. Furthermore, Ride-Along attachments or enclosures must result in a mailpiece that meets uniform thickness requirements, and must not change the shape or automation compatibility of the host piece. Additional requirements concerning methods for attaching or enclosing Ride-Along pieces may be prescribed in the future.
- b. The rationale for limiting the number of Ride-Along attachments or enclosures to one is discussed in CC/USPS-T1-13(e). The weight limit issue is discussed in CC/USPS-T1-20. The rationale for the uniform thickness criterion is to maintain compatibility with induction and processing on Flat Sorting Machines (FSMs), and

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO
SECOND INTERROGATORIES OF COX TARGET MEDIA INC. AND COX
CONSUMER SAMPLING**

automated letter-sorting machines, where applicable. The uniform thickness requirement will also serve to prevent pieces from becoming extremely lumpy, thereby making them hard to case and carry on walking routes. The requirement to preserve the shape of the mailpiece will prevent additional processing and delivery costs by preventing letter-size pieces from changing their shape to flat-size or parcel size, and by preventing flat-size pieces from changing their shape to parcel-size. Generally, flats are more expensive to process and deliver than letters, and parcels are the most expensive to process and deliver.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO
SECOND INTERROGATORIES OF COX TARGET MEDIA INC. AND COX
CONSUMER SAMPLING**

CC/USPS-T1-9.

Please confirm that an automatable periodical weighing the amounts shown here, presorted to 3-digits, entered at the SCF of delivery, and consisting of 40 percent editorial content and 60 percent advertising, would pay the rates shown below. If you do not confirm, please supply the correct rates.

Weight (ounces)	Pound Rate (cents)	Piece Rate (cents)	Total (cents)
2	2.14	22.44	24.58
4	4.28	22.44	26.72
6	6.42	22.44	28.86
8	8.56	22.44	31.00
10	10.70	22.44	33.14
12	12.84	22.44	35.28
14	14.98	22.44	37.42

RESPONSE

Confirmed for the Pound Rate portion. Not confirmed for Piece Rate and Total. The correct postage based on the assumptions provided in the question should be:

Pound Weight (ounces)	Piece Rate (cents)	Rate (cents)	Total (cents)
2	2.14	18.34	20.48
4	4.28	18.34	22.62
6	6.42	18.34	24.76
8	8.56	18.34	26.90
10	10.70	18.34	29.04

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO
SECOND INTERROGATORIES OF COX TARGET MEDIA INC. AND COX
CONSUMER SAMPLING

12	12.84	18.34	31.18
14	14.98	18.34	33.32

The 3-digit, automation rate for a flat is 21.4 cents; the SCF dropshipment discount for the piece is 0.7 cents, and the editorial per-piece discount for a piece with 40 percent editorial content is 2.36 cents. The per-piece postage for the mail-piece described in your question adds up to 18.34 cents instead of 22.44 cents.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO
SECOND INTERROGATORIES OF COX TARGET MEDIA INC. AND COX
CONSUMER SAMPLING**

CC/USPS-T1-10.

Please confirm that a periodical similar to that referred to in interrogatory CC/USPS-T1-9, but including one Ride-Along insert, would pay the rates shown below. If you do not confirm, please supply the correct rates.

Weight (ounces)	Periodical Rate (cents)	Ride-Along Rate (cents)	Total (cents)
2	24.58	10	34.58
4	26.72	10	36.72
6	28.86	10	38.86
8	31.00	10	41.00
10	33.14	10	43.14
12	35.28	10	45.28
14	37.42	10	47.42

RESPONSE

As explained in my response to CC/USPS-T1-9, my calculation of piece-rate postage differs from what you have provided. Based on my calculation, the periodical described in CC/USPS-T1-9 with one eligible (meeting the physical requirements) "Ride-Along" attachment or enclosure would pay the following postage.

Weight (ounces)	Periodical Rate (cents)	Ride-Along Rate (cents)	Total (cents)
2	20.48	10	30.48
4	22.62	10	32.62

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO
SECOND INTERROGATORIES OF COX TARGET MEDIA INC. AND COX
CONSUMER SAMPLING

6	24.76	10	34.76
8	26.90	10	36.90
10	29.04	10	39.04
12	31.18	10	41.18
14	33.32	10	43.32

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO
SECOND INTERROGATORIES OF COX TARGET MEDIA INC. AND COX
CONSUMER SAMPLING**

CC/USPS-T1-11.

Please confirm that a Standard (A) Regular Automation flat prepared to the 3/5 digit level with SCF entry would pay the rates shown below. If you do not confirm, please supply the correct rates.

Weight (ounces)	Piece Rate (cents)	Pound Rate (cents)	Total (cents)
2	18.2	0	18.2000
4	6.3	14.4250	27.7250
6	6.3	21.6375	29.9375
8	6.3	28.8500	35.1500
10	6.3	36.0625	42.3625
12	6.3	43.2750	49.5750
14	6.3	50.4875	56.7875

RESPONSE

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO
SECOND INTERROGATORIES OF COX TARGET MEDIA INC. AND COX
CONSUMER SAMPLING

CC/USPS-T1-12.

- a. Please compare the rates set forth in interrogatories CC/USPS-T1-10 and 11 and confirm that, up to 10 ounces, the Standard (A) Regular Automation flat rate is less than the Periodicals rate with one Ride-Along. If you do not confirm, please explain fully.
- b. For the weight interval where the Standard (A) Regular Automation flat rate is less than the Periodicals rate with one Ride-Along inset or onsert, please provide all reasons why, to the best of your knowledge, a periodical publisher would opt to mail at the Periodicals rate rather than the Standard (A) rate.

RESPONSE

- a. Confirmed up to 8 ounces.
- b. For the weight interval where the Standard (A) Regular Automation flat rate is less than the Periodicals rate with one Ride-Along attachment or enclosure, a periodical publisher would opt to mail at the Periodicals rate rather than the Standard (A) rate for the same reasons that a current Periodical mailer chooses to pay approximately 20 cents (almost double the proposed rate for "Ride-Along") for a Standard (A) attachment with a periodical mail-piece in addition to the periodical postage. Also, Periodicals mailers cannot shift between Standard (A) and Periodicals rate schedules from one issue to another based on postage calculations for a specific issue.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO
SECOND INTERROGATORIES OF COX TARGET MEDIA INC. AND COX
CONSUMER SAMPLING**

CC/USPS-T1-13.

For purposes of your response to this interrogatory, assume the following hypothetical situation. Periodical A consists of 192 pages plus one Ride-Along insert weighing 3 ounces, while periodical B consists of 192 pages (of the same trim size and paper weight) plus one Ride-Along insert weighing 0.75 ounces and one Standard (A) insert weighing 0.75 ounces. Assume further that periodicals A and B are both automatable, both have the same percentage of editorial content, and both have the same presort and entry level characteristics; *i.e.*, except for the inserts, periodicals A and B have identical mailing characteristics.

- a. Please confirm that the rate for periodical B would exceed the rate for periodical A by an amount equal to the applicable Standard (A) rate for the second insert. If you do not confirm, please explain fully why not, stating what would be the applicable difference in rates between the two periodicals.
- b. Would you agree that the Postal Service's cost of handling periodical B should not exceed the cost of handling periodical A? Please explain fully any answer that is not an unqualified affirmative.
- c. To the extent that weight affects costs (assume that the volume of each insert in periodicals A and B is proportional to weight of the insert), would you agree that the cost of processing, transporting and delivering periodical A could exceed the cost of handling periodical B? Please explain fully any answer that is not an unqualified affirmative.
- d. If periodical A is deemed to pay processing and delivery costs for one piece (*i.e.*, not counting the Ride-Along insert as a separate piece), would you agree that periodical B would be paying the processing and delivery costs for two pieces (*i.e.*, counting the Standard (A) insert as a separate piece, but not counting the Ride-Along insert as a separate piece)? Please explain fully any answer that is not an unqualified affirmative.
- e. Referring to your testimony at page 4, lines 16-22, would you agree that the comparison between periodicals A and B provides an equally compelling reason to permit two Ride-Along pieces in one periodical? Unless your answer is an unqualified affirmative, please explain fully why the logic of your argument is not equally compelling in this example.

RESPONSE

- a. Confirmed.
- b. I cannot agree or disagree. Periodical A with "Ride-Along" attachment or enclosure has to meet stringent physical requirements to assure that mail-processing and delivery cost do not increase due to the inclusion of "Ride-Along" enclosure or

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO
SECOND INTERROGATORIES OF COX TARGET MEDIA INC. AND COX
CONSUMER SAMPLING**

attachment. Periodical B, the mail piece with Standard (A) attachment, does not have similar restriction and may cause an increase in mail-processing and delivery costs.

- c. I cannot agree or disagree. In the case of Periodical A, the one with only a "Ride-Along" enclosure or attachment, the cost of mail processing and delivering is expected to be the same as Periodical A without the "Ride-Along" enclosure or attachment. The same cannot be assumed for Periodical B, which includes a "Ride-Along," as well as a Standard (A) enclosure or attachment.
- d. Yes.
- e. On page 4 of my testimony lines 7-15, I have provided the reasons for permitting one "Ride-Along" enclosure or attachment per periodical copy: The ECSI value of Periodicals and the possibility of increasing mail-processing and/or delivery costs due to the inclusion of two or more "Ride-Along" pieces. The Postal Service wants to provide a new, effective medium for Periodical mailers, while maintaining the educational, scientific, cultural and informational value to the subscriber. Please see USPS-T-1, page 10, lines 19-21.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO
SECOND INTERROGATORIES OF COX TARGET MEDIA INC. AND COX
CONSUMER SAMPLING**

CC/USPS-T1-14.

Is there any limit to the number of inserts printed on paper material, such as heavier weight stock (designed to meet mailing requirements for post cards), that can be bound into a periodical? If so, please state what that limit is, give the relevant DMM reference(s) regarding that limit, and explain the rationale for the limit.

RESPONSE

No, except that Periodicals publications paying postage on a "monthly mailing statement" must be printed on sheets of the same weight. DMM P200.2.0. The use of monthly statements is rather rare, used mainly by large daily newspapers.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO
SECOND INTERROGATORIES OF COX TARGET MEDIA INC. AND COX
CONSUMER SAMPLING**

CC/USPS-T1-15.

Is there any limit on the thickness or weight of paper material that can be bound into a periodical without paying any additional Ride-Along or Standard (A) fee? If so, please state what that limit is, give the relevant DMM reference(s) regarding that limit, and explain the rationale for the limit.

RESPONSE

No.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO
SECOND INTERROGATORIES OF COX TARGET MEDIA INC. AND COX
CONSUMER SAMPLING**

CC/USPS-T1-16.

- a. As between (i) magazine A with a number of "eligible" inserts composed of rather thick, heavy-weight paper material and (ii) magazine B with an equal number of "ineligible" inserts composed of cloth or leather, please explain fully how the "ineligible" inserts would clutter up magazine B more than the "eligible" inserts in magazine A. When responding to this interrogatory, assume that the "eligible" and "ineligible" inserts have the same weight and trim size.**
- b. Would the "ineligible" inserts in magazine B be likely to cause any significant additional mail processing or delivery costs in comparison to the "eligible" inserts in magazine A? Please explain fully any answer that is not an unqualified negative.**

RESPONSE

- a. Periodicals publications must be comprised of printed sheets. DMM E211.3.0. The appearance of leather, swatches of cloth, and other non-paper like materials is distinguishable from printed sheets that make up "eligible" inserts.**
- b. No, as long as there are no differences in the characteristics of "eligible" and "ineligible" inserts that may cause additional mail processing and delivery costs.**

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO
SECOND INTERROGATORIES OF COX TARGET MEDIA INC. AND COX
CONSUMER SAMPLING**

CC/USPS-T1-17.

At page 4 of your testimony, you state that "Neither the Periodicals industry nor the Postal Service wishes to provide an incentive to the customers to clutter up magazines with numerous advertising pieces or other ineligible enclosures or attachments."

- a. In the above-quoted sentence, does the word "customers" refer to publishers or advertisers?
- b. Please state all reasons why the Postal Service does not want to provide an incentive to customers to "clutter up magazines" with numerous advertising pieces or other ineligible enclosures or attachments.
- c. In your opinion, would it "clutter up magazines" in a negative way if a single issue of a magazine included, for example, a cosmetic product as well as a CD-ROM? Please explain the basis for your answer.
- d. Please produce copies of all documents written and/or transmitted between January 1, 1998 and the present, mentioning, reflecting, or commenting on the concern recited at page 4 of your testimony about not providing an incentive to customers to "clutter up magazines" with advertising pieces, and the like.

RESPONSE

- a. The word "customers" in the above-quoted sentence refers to publishers.
- b. Please see my response to CC/USPS-T1-13(e). Mailer groups that initiated this proposal had requested a one-piece limit for this experiment. My interpretation of their request was that they wanted to avoid cluttering up their Periodicals with numerous "Ride-Along" pieces.
- c. This is a decision for publishers to make.
- d. There are no documents relating to this issue. As I have stated in subpart b, the phrase "clutter up magazines with numerous advertising pieces" was my interpretation of mailer's request to limit the "Ride-Along" rate to one piece.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO
SECOND INTERROGATORIES OF COX TARGET MEDIA INC. AND COX
CONSUMER SAMPLING**

CC/USPS-T1-18.

- a. Will the proposed Ride-Along rate be applicable or available to all periodicals? If not, please explain which specific types are not eligible, and why not.
- b. Please confirm that, if all other requirements are met, the proposed Ride-Along rate will be available for inserts or on-serfs with the following publications mailed at the appropriate Periodicals rate. Please explain briefly any answer that is not an unqualified confirmation.
 - (i) General publications.
 - (ii) Publications of institutions and societies.
 - (iii) Publications of State Departments of Agriculture.
 - (iv) Non-profit publications.
 - (v) Requester publications.
 - (vi) Foreign publications.

RESPONSE

- a. Yes.
- b. Yes. The proposed "Ride-Along" rate will be available to general publications, publications of institutes and societies, publications of State Departments of Agriculture, nonprofit, requestor, and foreign publications.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO
SECOND INTERROGATORIES OF COX TARGET MEDIA INC. AND COX
CONSUMER SAMPLING**

CC/USPS-T1-19.

At page 11 of your testimony you state "paraphrasing witness Schwartz (See USPS-T-2), these units have been historically designed for inclusion with periodicals and are not sent independently of periodicals." Aside from your reliance on witness Schwartz, please provide all independent knowledge and evidence which you and the Postal Service have as to whether the "units" to which you refer have or have not been sent through the mail independently of periodicals. Please cite all examples of which you are aware of "units" that are designed for inclusion with periodicals and are not sent independently of periodicals.

RESPONSE

I have no independent knowledge or evidence except for my reliance on witness Schwartz's testimony on this subject.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO
SECOND INTERROGATORIES OF COX TARGET MEDIA INC. AND COX
CONSUMER SAMPLING**

CC/USPS-T1-20.

Your testimony at page 7, lines 12-13, states that in FY98 the average Standard (A) rate per insert mailed in a periodical was approximately 21.6 cents. Witness Schwartz, USPS-T-2, page 3, line 22, states that Conde Nast's current average price is approximately \$0.1985 per piece. Since the proposed Ride-Along rate is about one-half the minimum rate paid for a Standard (A) piece, please state all reasons why the Postal Service has allowed Ride-Along pieces to weigh up to 3.3 ounces, instead of, say 1.7 ounces.

RESPONSE

Mailer groups, that initiated this proposal, had suggested a 3.3 ounce limit for this experiment. The Postal Service agreed with the weight allowance as long as the host piece plus "Ride-Along" attachment or enclosure does not cause any additional mail-processing or delivery costs.

DECLARATION

I, Altaf Taufique, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in cursive script, appearing to read 'A. Taufique', is written over a horizontal line.

Dated: NOVEMBER 17, 1999

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in black ink, appearing to read "Scott L. Reiter", is written over a horizontal line.

Scott L. Reiter

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